



**NOTICE AND SUMMARY OF
EX PARTE PRESENTATION**

January 11, 2006

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Portals II, Room TW-A325
Washington, DC 20554

Re: Federal-State Joint Board on Universal Service (Universal Service Contribution Mechanism), CC Docket No. 96-45

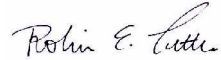
Dear Ms. Dortch:

On January 10, 2006, James Olson, Thomas Soroka, and I, on behalf of the United States Telecom Association (USTelecom), and Trenton Boaldin, President of Epic Touch Co., met with Cathy Carpino, Deputy Division Chief, Telecommunications Access Policy Division, Greg Guice and Amy Bender also of the Telecommunications Access Policy Division, Rodger Woock, Division Chief, Industry Analysis & Technology Division, and Jim Lande also of the Industry Analysis & Technology Division regarding the above-referenced proceeding.

USTelecom advocated that the Commission implement a universal service contribution mechanism based on a combination of assessment methods, consistent with the attached *ex parte* presentation, to ensure that the base of contributions is sufficiently broad, to accommodate technological changes and marketplace evolution, and to ensure the stability and long-term viability of the Universal Service Fund. Specifically, USTelecom proposed a contribution mechanism (1) that would assess contributions for residential services based on working telephone numbers and connections for broadband services, but urged the Commission to ensure there is parity in contributions for residential broadband services, and (2) that would assess contributions for business network services based on telephone numbers and either bandwidth tier connections or interstate revenues.

In accordance with section 1.1206(b)(2) of the Commission's rules, this letter is being filed electronically with your office. Please feel free to contact me if you have any questions.

Sincerely,



Robin E. Tuttle
Counsel

Attachment

cc: Cathy Carpino
Greg Guice
Amy Bender
Rodger Woock
Jim Lande

**IT'S A NEW WORLD
IN COMMUNICATIONS**



**EX PARTE PRESENTATION OF
THE UNITED STATES TELECOM ASSOCIATION
ON UNIVERSAL SERVICE CONTRIBUTION METHODOLOGY
CC DOCKET NO. 96-45
JANUARY 10, 2006**

IT'S A NEW WORLD
IN COMMUNICATIONS



UNIVERSAL SERVICE CONTRIBUTION METHODOLOGY

The FCC must act soon to reform the universal service contribution methodology.

- Chairman Martin has emphasized that the universal service contribution “needs fixing” and the “industry needs certainty,” acknowledging that the FCC “cannot wait much longer before taking action.” USTelecom agrees.
- The rapid technological growth in the industry and the continuing evolution of the marketplace call attention to the current, outdated contribution method and demand that it be revised.
- The base of contributions is narrowing, and it is increasingly more difficult to tell which revenues are assessable, which threatens the stability and viability of the current contribution methodology:
 - bundled service offerings are increasing;
 - consumers are rapidly migrating to technologies, such as wireless and VoIP services that are subject to a safe harbor on their contributions or that do not contribute at all;
 - the market for stand alone long distance is shrinking.

IT'S A NEW WORLD
IN COMMUNICATIONS



UNIVERSAL SERVICE CONTRIBUTION METHODOLOGY

The FCC's actions in revising the contribution methodology will set the stage for the Universal Service Fund's stability and viability.

- The FCC must account for ongoing, and anticipate new, technological growth and marketplace evolution.
- The FCC can do this by ensuring that the base of contributors is broad enough to accommodate these changes.
- A broad contribution base will foster stability and long-term viability of the Fund.

IT'S A NEW WORLD
IN COMMUNICATIONS



UNIVERSAL SERVICE CONTRIBUTION METHODOLOGY

The FCC should be guided in its revision of the universal service contribution methodology by four fundamental principles.

1. The contributions methodology adopted should be fair and technologically and competitively neutral.
2. Carriers must be able to recover their universal service contribution costs from retail end users, passing through contribution assessments.
3. The assessment methodology should not drive customer purchasing decisions.
4. The contribution methodology should be easy to implement and administer.

IT'S A NEW WORLD
IN COMMUNICATIONS



UNIVERSAL SERVICE CONTRIBUTION METHODOLOGY

The contribution methodology should be structured to ensure a broad base of support.

- A combination of assessment methods is necessary to ensure that the base of contributions is sufficiently broad.
- Specifically:
 - Each provider should be assessed one contribution unit per month for each unique working telephone number it provides to customers for residential and business retail services.
 - Each provider should be assessed one contribution unit per month for each mass-marketed, non-circuit-switched, dedicated high-speed or greater network connection that it provides to an end-user residential customer.
 - Each provider should be assessed one or more contribution units based on bandwidth tiers – increasing with capacity – or interstate revenues (at the choice of the carrier) for business non-circuit-switched, dedicated network services.

IT'S A NEW WORLD
IN COMMUNICATIONS



UNIVERSAL SERVICE CONTRIBUTION METHODOLOGY

Telephone numbers

- Service providers should be assessed one contribution unit, per month, for each unique working telephone number provided to customers for residential and business retail services.
- A unique working telephone number is a North American Numbering Plan number that is assigned to a specific end user and provides the ability to receive calls.
- Retail services with unique working telephone numbers that would be assessed include, among others, POTS, VoIP, payphones, e-fax, CMRS, and 800 service.
- Carriers should be permitted to average their recovery within the business category of customers.
- Carriers should only be assessed contributions on numbers they provide to end-user customers (working numbers), not numbers merely “assigned” in NRUF.

IT'S A NEW WORLD
IN COMMUNICATIONS



UNIVERSAL SERVICE CONTRIBUTION METHODOLOGY

Residential, High-Speed Network Services:

- Each provider should be assessed one contribution unit per month for each mass-marketed, non-circuit-switched, dedicated high-speed or greater network connection that it provides to an end-user residential customer.
- Assessment of broadband must be the same across platforms (e.g., cable modem, DSL). If the FCC determines that cable modem providers will not contribute to universal service, then neither should DSL or other broadband providers.

Business Network Services:

- Business non-circuit-switched, dedicated services may contribute based on bandwidth tiers, which increase with capacity of the service, or interstate revenues (at the choice of the carrier).

IT'S A NEW WORLD
IN COMMUNICATIONS



UNIVERSAL SERVICE CONTRIBUTION METHODOLOGY

A modified Form 499 can be used to report and audit telephone numbers.

- NRUF Reporting is not appropriate to track assessable telephone numbers:
 - It is overbroad as it includes numbers such as LNP-ported and Type 1 interconnected numbers that belong to another carrier.
 - It is under-inclusive as not all retail providers of telecommunications that sell services with numbers report in NRUF (e.g., resellers and VoIP providers).
- The FCC will need to modify the Telecommunications Reporting Worksheets (Form 499) to include information for carriers to report their projected and actual total assessable telephone numbers and connections.
- Service providers will need to modify tracking and billing systems and will need adequate time (at least one year) to implement these systems.

IT'S A NEW WORLD
IN COMMUNICATIONS



UNIVERSAL SERVICE CONTRIBUTION METHODOLOGY

In sum, the FCC should:

- take action that will ensure the immediate stability and ultimate viability of the Fund;
- broaden the base of contributions, which is the key to the Fund's stability and viability;
- implement a contribution methodology that is fair and competitively and technologically neutral; and
- adopt a methodology that is based on recovery from end users, that does not drive customer purchasing decisions, and that is easy to implement.

USTelecom urges the FCC:

- to adopt a plan that assesses contributions for residential services based on working telephone numbers and connections for broadband services;
- to ensure there is parity in contributions for residential broadband services; and
- to adopt a plan that assesses contributions for business network services based on telephone numbers and either bandwidth tier connections or interstate revenues.